

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

INTERWORKS UNLIMITED, INC., )  
a California Corporation, )

Plaintiff, )

VS. )

DIGITAL GADGETS, LLC; )  
a New Jersey limited )  
liability company, )

Defendants. )

\_\_\_\_\_  
AND RELATED CROSS-ACTION. )  
\_\_\_\_\_ )

CASE NO.  
2:17-cv-4983 AB KSx

DEPOSITION OF  
ERIC LU

Thursday, September 13, 2018

9:58 A.M.

21650 Oxnard Street  
Suite 500  
Woodland Hills, California 91367

**EXHIBIT**

**1**

<p style="text-align: right;">Page 2</p> <p>1 Deposition of ERIC LU, called as a witness by 2 the Defendant and Counter-Claimant, before 3 HELENA FLORES, Certified Shorthand Reporter 4 Number 13313, for the State of California, with 5 principal office in the County of Los Angeles, 6 commencing at 9:58 A.M., September 13, 2018, at 7 21650 Oxnard Street, Suite 500, Woodland Hills, 8 California. 9 * * * 10 11 APPEARANCES OF COUNSEL: 12 13 For the Plaintiff and 14 Counter-Defendant: 15 LAW OFFICES OF ROGER C. HSU 16 BY: ROGER C. HSU, ESQ. 17 175 South Lake Avenue 18 Suite 210 19 Pasadena, California 91101 20 (626) 792-7936 21 22 For the Defendant and 23 Counter-Claimant: 24 LAZARUS &amp; LAZARUS, P.C. 25 BY: HARLAN M. LAZARUS, ESQ. 240 Madison Avenue 8th Floor New York, New York 10016 (212) 889-7400</p>	<p style="text-align: right;">Page 4</p> <p>1 DEFENDANT and COUNTER-CLAIMANT'S 2 EXHIBITS, CONTINUED 3 Exhibit 8 Cash Capital Agreement for the 4 Purchase and Sale of Future Receipts, Bates Labeled CCG 000018 to -28 94 5 Exhibit 9 UCC Financing Statement, Bates Labeled CCG 000001 103 6 7 8 9 10 QUESTIONS WITNESS INSTRUCTED NOT TO ANSWER 11 Page Line 12 11 12 13 12 8 14 15 16 INFORMATION REQUESTED 17 (None.) 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 3</p> <p>1 INDEX 2 Examination Page 3 By Mr. Lazarus 5 4 5 6 7 DEFENDANT and COUNTER-CLAIMANT'S EXHIBITS 8 Exhibit 1 First Amended Counterclaim of 9 Digital Gadgets, LLC, for Breach of Contract, Breach of Contract, 10 Breach of Implied Warranty of Merchantability, Breach of Warranty, Negligence, Fraud, and 11 Indemnification 50 12 Exhibit 2 Answer to First Amended Counterclaim 50 13 Exhibit 3 E-mail Chain, Top E-mail to 14 "Eric," from Chris Mitchell, Dated 6/7/17 57 15 Exhibit 4 E-mail Chain, Top E-mail to 16 Charlie Tebele, from Chris Mitchell, Dated 6/30/17 66 17 Exhibit 5 E-mail Chain, Top E-mail to Chris 18 Mitchell, from "Eric," Dated 12/21/16, Bates Labeled Digital 19 Gadgets 35 80 20 Exhibit 6 E-mail Chain, Top E-mail to 21 Charlie Tebele, from Chris Mitchell, Dated 3/6/17, Bates 22 Labeled Digital Gadgets 244 to -246 82 23 Exhibit 7 Letter to Digital Gadgets, LLC, 24 from the Rubin Law Firm, PLLC, Dated 7/10/16 92 25 ///</p>	<p style="text-align: right;">Page 5</p> <p>1 Woodland Hills, California 2 Thursday, September 13, 2018; 9:58 A.M. - 2:20 P.M. 3 4 ERIC LU, 5 called as a witness by and on behalf of the Defendants 6 and Counter-Claimant, having been placed under oath, was 7 examined and testified as follows: 8 9 EXAMINATION 10 BY MR. LAZARUS: 11 Q. Good morning, Mr. Lu. My name is 12 Harlan Lazarus, and I represent Digital Gadgets. I'm 13 here today to take your deposition in a matter, 14 Interworks Unlimited against Digital Gadgets. 15 Have you ever been deposed before? 16 A. Yes. 17 Q. How many times? 18 A. Two. 19 Q. And when were those depositions? 20 A. About maybe ten years ago. 21 Q. Well, in either of those depositions, did you 22 testify on behalf of Interworks Unlimited? 23 A. No. 24 Q. Okay. In either of those depositions, were you 25 a plaintiff or a defendant?</p>

<p style="text-align: right;">Page 6</p> <p>1 A. Plaintiff.</p> <p>2 Q. Okay. I'm going to ask you questions during</p> <p>3 the course of the day. To the best of your ability,</p> <p>4 please answer my questions. To the best of your</p> <p>5 ability, when I'm asking a question, please wait for me</p> <p>6 to finish the question before you answer it, and I will</p> <p>7 do my best to not interrupt you when you're answering.</p> <p>8 A. Okay.</p> <p>9 Q. You have to answer verbally so that the court</p> <p>10 reporter can take it down. If, during the course of the</p> <p>11 examination, you wish to confer with counsel, that's</p> <p>12 fine, except I would ask you that you answer a pending</p> <p>13 question before you confer with counsel. So if we're in</p> <p>14 the middle of a question, before you speak to counsel,</p> <p>15 you should try your best to answer the question.</p> <p>16 Of course, if you don't understand the</p> <p>17 question, you can ask me to rephrase it. And, lastly,</p> <p>18 if during the course of the morning, you wish to take a</p> <p>19 break -- during the course of the day, I should say --</p> <p>20 just let me know, and we'll take a break.</p> <p>21 A. Okay.</p> <p>22 Q. By whom are you currently employed?</p> <p>23 A. Interworks Unlimited.</p> <p>24 Q. And what is your position?</p> <p>25 A. President.</p>	<p style="text-align: right;">Page 8</p> <p>1 years --</p> <p>2 A. Yes.</p> <p>3 Q. -- of its existence?</p> <p>4 And are your offices there?</p> <p>5 A. Yes.</p> <p>6 Q. Do you know a company, Digital Gadgets, LLC?</p> <p>7 A. Yes.</p> <p>8 Q. And how do you know them?</p> <p>9 A. They were introduced to me by a sales -- a VP</p> <p>10 of sales at Chic.</p> <p>11 Q. And who is the VP of sales?</p> <p>12 A. Her name is Janet, last name is Lu, L-u. Not</p> <p>13 related.</p> <p>14 Q. And who is Chic?</p> <p>15 A. Chic is the manufacturer of the hoverboard.</p> <p>16 Q. When did this introduction take place?</p> <p>17 A. To my recollection, it's sometime in September</p> <p>18 or October of 2016.</p> <p>19 Q. And do you recall the reason for the</p> <p>20 introduction?</p> <p>21 A. Yes. Digital Gadgets -- Chris Mitchell, who</p> <p>22 was trying to solicit Chic for distribution in the</p> <p>23 U.S. -- we -- Interworks has the exclusive distribution.</p> <p>24 And an introduction was made between Janet and Chris, to</p> <p>25 me, for the reason that they want to sell Chic products</p>
<p style="text-align: right;">Page 7</p> <p>1 Q. What is the business of Interworks?</p> <p>2 A. Distribution.</p> <p>3 Q. Distribution of what?</p> <p>4 A. Distribution of gaming, consumer electronics,</p> <p>5 and toys.</p> <p>6 Q. And are you the owner of Interworks?</p> <p>7 A. Yes.</p> <p>8 Q. Are there any other owners?</p> <p>9 A. No.</p> <p>10 Q. How many employees does Interworks have?</p> <p>11 A. Nine.</p> <p>12 Q. Is Tony Tu one of your employees?</p> <p>13 A. Yes.</p> <p>14 Q. What's his position?</p> <p>15 A. He's the accounts executive.</p> <p>16 Q. And what are his duties and responsibilities?</p> <p>17 A. His duties are to assist me to process -- to</p> <p>18 communicate with our clients, customers, and our</p> <p>19 vendors.</p> <p>20 Q. How long has Interworks been in business?</p> <p>21 A. Almost ten years.</p> <p>22 Q. Where is Interworks located?</p> <p>23 A. Interworks is located at 2418 Peck Road,</p> <p>24 City of Industry, California 90601.</p> <p>25 Q. Has it been at that location for the ten</p>	<p style="text-align: right;">Page 9</p> <p>1 in the United States. And that's the reason for the</p> <p>2 introduction, is they can buy directly from us because</p> <p>3 we're the distributor -- the exclusive distributor.</p> <p>4 Q. So Mr. Mitchell had made inquiry of Chic to</p> <p>5 acquire product from them --</p> <p>6 A. Correct.</p> <p>7 Q. -- and Ms. Lu advised Mr. Mitchell that</p> <p>8 Interworks was the exclusive distributor, and therefore</p> <p>9 put the two of you together?</p> <p>10 A. Correct.</p> <p>11 Q. Now, at the time of this introduction, what was</p> <p>12 the business relationship between Chic and Interworks?</p> <p>13 What were you the exclusive distributors of?</p> <p>14 A. Exclusive distributors for their hoverboards.</p> <p>15 Q. Do they make a product besides hoverboards?</p> <p>16 A. Solely hoverboards.</p> <p>17 Q. And was the exclusivity that you had, was that</p> <p>18 in a writing?</p> <p>19 A. Yes.</p> <p>20 Q. Has that writing been produced in this lawsuit?</p> <p>21 A. I'm not sure.</p> <p>22 MR. LAZARUS: I'd call for the production of</p> <p>23 the exclusivity agreement.</p> <p>24 Q. When did Interworks and Chic enter into the</p> <p>25 exclusivity agreement?</p>

<p style="text-align: right;">Page 10</p> <p>1 A. Sometime in 2015.</p> <p>2 Q. Prior to the exclusivity arrangement, were you</p> <p>3 doing business with Chic?</p> <p>4 A. Yes, we were.</p> <p>5 Q. And the prior business consisted of purchasing</p> <p>6 hoverboards?</p> <p>7 A. Correct.</p> <p>8 Q. And how long had that prior business gone on?</p> <p>9 A. Probably for about a year.</p> <p>10 Q. Tell me, please, how it came to pass that the</p> <p>11 arrangement became an exclusive.</p> <p>12 A. Well, for a business relationship, you know, we</p> <p>13 sold their product. They needed a distributor for the</p> <p>14 U.S. channel. And we had the retail channels; so, you</p> <p>15 know, that's kind of how it came about.</p> <p>16 Q. They had no other distributor in the U.S.?</p> <p>17 A. At that time, no.</p> <p>18 Q. Did they propose the exclusive arrangement, or</p> <p>19 did you?</p> <p>20 A. I think it was mutual.</p> <p>21 Q. In your earlier answer, you used the</p> <p>22 expression, "we had the retail channels."</p> <p>23 What does that mean?</p> <p>24 A. Retail channels is your retail stores in the</p> <p>25 United States. You know, big-bucks stores. Your -- you</p>	<p style="text-align: right;">Page 12</p> <p>1 (Whereupon, the record was read back</p> <p>2 by the Court Reporter as follows:</p> <p>3 "Q. Prior to the exclusivity</p> <p>4 arrangement, had you made sales of</p> <p>5 hoverboards to QVC?")</p> <p>6 THE WITNESS: No.</p> <p>7 BY MR. LAZARUS:</p> <p>8 Q. To whom had you made sales?</p> <p>9 A. Again, that's a trade secret. I --</p> <p>10 Q. What's secret about it?</p> <p>11 A. Because Digital Gadgets is a competitor, and</p> <p>12 they have all rights to get the information from who I'm</p> <p>13 selling to so they can attempt to solicit my accounts.</p> <p>14 So for that reason, I don't think that I should disclose</p> <p>15 any of the retail accounts. I mean, if you can figure</p> <p>16 what the retail accounts are, you know, it's what is out</p> <p>17 there. It's retailers.</p> <p>18 Q. Okay. So exactly why it's not confidential or</p> <p>19 secret.</p> <p>20 So which retailers was it?</p> <p>21 A. It's secret in who is selling hoverboards. I</p> <p>22 don't want to disclose that.</p> <p>23 Q. Okay. So on your counsel's instruction, you're</p> <p>24 refusing to disclose your customer base for hoverboards;</p> <p>25 is that correct?</p>
<p style="text-align: right;">Page 11</p> <p>1 know, your Wal-Mart, Target, your Best Buy, Toys "R" Us.</p> <p>2 You know, big-bucks retailers.</p> <p>3 Q. When you say "We had the retail channels," what</p> <p>4 do you mean?</p> <p>5 A. That means we sell to the retail channels.</p> <p>6 Q. Okay. Did you have any exclusivity arrangement</p> <p>7 with any retailer?</p> <p>8 A. No.</p> <p>9 Q. Prior to the exclusivity arrangement, had you</p> <p>10 sold hoverboards to the retail channel?</p> <p>11 A. Yes.</p> <p>12 Q. To whom did you make those sales?</p> <p>13 MR. HSU: Hold on.</p> <p>14 Objection. Trade secrets. Not reasonably</p> <p>15 calculated to lead to any admissible evidence.</p> <p>16 Where are we going?</p> <p>17 BY MR. LAZARUS:</p> <p>18 Q. Okay. Just answer the question.</p> <p>19 MR. HSU: I instruct the witness not to answer.</p> <p>20 MR. LAZARUS: Okay. Mark that, and I will seek</p> <p>21 sanctions.</p> <p>22 Q. Prior to the exclusivity arrangement, had you</p> <p>23 made sales of hoverboards to QVC?</p> <p>24 A. Can you repeat that question?</p> <p>25 MR. LAZARUS: Could you read the question back.</p>	<p style="text-align: right;">Page 13</p> <p>1 A. That's correct.</p> <p>2 MR. HSU: I reiterate my objection and</p> <p>3 instruction. Thank you.</p> <p>4 MR. LAZARUS: And your objection is it's a</p> <p>5 secret?</p> <p>6 MR. HSU: Trade secret. Without a protective</p> <p>7 order, you're not going to get it. And I offered you.</p> <p>8 THE REPORTER: I'm sorry?</p> <p>9 MR. HSU: "And I offered you."</p> <p>10 MR. LAZARUS: Don't try to justify your</p> <p>11 misconduct.</p> <p>12 MR. HSU: You can say whatever you want.</p> <p>13 MR. LAZARUS: I will say whatever I want.</p> <p>14 Thank you.</p> <p>15 MR. HSU: It's your deposition.</p> <p>16 MR. LAZARUS: It is my deposition.</p> <p>17 Q. For what period of time prior to the</p> <p>18 exclusivity arrangement had you sold hoverboards to QVC?</p> <p>19 A. Did you say "prior to the exclusivity"?</p> <p>20 Q. Yes, sir, that's what I said.</p> <p>21 A. I did not sell hoverboards to QVC.</p> <p>22 Q. Okay. So after -- the first sales by</p> <p>23 Interworks, to QVC, of hoverboards came after you</p> <p>24 entered into the exclusivity arrangement?</p> <p>25 A. Correct.</p>

<p style="text-align: right;">Page 14</p> <p>1 Q. Okay. And how many units did you sell?</p> <p>2 A. Roughly, off my head (verbatim), about 10,000.</p> <p>3 Q. Over what period of time?</p> <p>4 A. Of a one-month period.</p> <p>5 Q. What month?</p> <p>6 A. The month of November.</p> <p>7 Q. What year?</p> <p>8 A. 2016.</p> <p>9 Q. And what model hoverboard did you sell?</p> <p>10 A. It's the High Roller Model C.</p> <p>11 Q. Prior to selling hoverboards to QVC, had you --</p> <p>12 Interworks made sales of products to QVC?</p> <p>13 A. No.</p> <p>14 Q. Who introduced you to QVC?</p> <p>15 A. I contacted QVC.</p> <p>16 Q. And when did you do that?</p> <p>17 A. Around April of 2016.</p> <p>18 Q. And who did you contact?</p> <p>19 A. The buyer, Meghan Kane.</p> <p>20 Q. And between April of 2016 and November of 2016,</p> <p>21 how did it develop that you were able to sell</p> <p>22 10,000 units to QVC?</p> <p>23 A. Well, we made our sales pitch. We presented</p> <p>24 our product. And Chic has the patent for the</p> <p>25 hoverboard; so at that point, QVC decided to bring it on</p>	<p style="text-align: right;">Page 16</p> <p>1 Q. And they told you that the airing would be</p> <p>2 approximately November of 2016?</p> <p>3 A. Right.</p> <p>4 Q. Okay. When did you take in the -- withdrawn.</p> <p>5 Did you physically receive the hoverboards from</p> <p>6 Chic?</p> <p>7 A. Well, the goods came in late October, beginning</p> <p>8 of November. And products came in in sequence. It's</p> <p>9 coming in containers. It's a large volume; so it's many</p> <p>10 containers that come in. So around that period of time,</p> <p>11 products are flowing in.</p> <p>12 Q. In the fall of 2016, sometime in October?</p> <p>13 A. Right.</p> <p>14 Q. And where did they come into?</p> <p>15 A. The Long Beach port and then to my warehouse.</p> <p>16 Q. Okay. Where is your warehouse?</p> <p>17 A. 2418 Peck Road.</p> <p>18 Q. And did you take in 10,000 pieces from Chic,</p> <p>19 approximately?</p> <p>20 A. Yes.</p> <p>21 Q. And were all 10,000 of those sold to QVC?</p> <p>22 A. Yes.</p> <p>23 Q. Other than -- other than those 10,000 pieces,</p> <p>24 and in the period of calendar year 2016, had you taken</p> <p>25 in any other hoverboards for any other customer?</p>
<p style="text-align: right;">Page 15</p> <p>1 board.</p> <p>2 Q. At what point?</p> <p>3 A. What's that?</p> <p>4 Q. At what point did they decide to bring in your</p> <p>5 board?</p> <p>6 A. I would say somewhere around June -- June, July</p> <p>7 time frame.</p> <p>8 Q. And from June to November, what happened?</p> <p>9 A. Can you rephrase that?</p> <p>10 "What happened"? What do you mean, "what</p> <p>11 happened"? I'm not understanding the question.</p> <p>12 Q. Well, if they decided to bring them in in June,</p> <p>13 and the first sales were in November, what happened in</p> <p>14 the period between June and November relative to those</p> <p>15 sales?</p> <p>16 A. Well, between the time between June and</p> <p>17 November, when they needed the goods, they -- as a</p> <p>18 buyer, they have to plan when they're going to air it</p> <p>19 because, as you know, QVC is not a -- QVC is not a</p> <p>20 retail store. So they have to book an airing time. And</p> <p>21 during that process, they're setting up for the</p> <p>22 holidays. So they're going to -- you know, we discuss</p> <p>23 the product, then they gave us airing time when they</p> <p>24 needed to deliver the goods and when they're going to do</p> <p>25 the airing. So...</p>	<p style="text-align: right;">Page 17</p> <p>1 A. Yes.</p> <p>2 Q. Okay. And how many pieces did you sell?</p> <p>3 A. Probably in the range of another, give or take,</p> <p>4 10,000.</p> <p>5 Q. And was that before or after you took in the</p> <p>6 pieces for QVC?</p> <p>7 A. Before.</p> <p>8 Q. And after you took in the 10,000 pieces to --</p> <p>9 for QVC, did you ever again take in hoverboards for sale</p> <p>10 to QVC -- for Interworks sale to QVC?</p> <p>11 A. Yes.</p> <p>12 Q. When?</p> <p>13 A. Like I said, products were coming in from --</p> <p>14 you know, coming in for the holidays. So there needs to</p> <p>15 be replenishment. So there were goods coming in</p> <p>16 through -- every month, there's goods coming in.</p> <p>17 (Interruption in proceedings due to cell</p> <p>18 phone.)</p> <p>19 MR. LAZARUS: Excuse me.</p> <p>20 Yeah? I am. You're --</p> <p>21 THE WITNESS: You have to type that. He didn't</p> <p>22 say "Off the record."</p> <p>23 THE REPORTER: I can do my job, thank you.</p> <p>24 BY MR. LAZARUS:</p> <p>25 Q. I'm sorry.</p>



<p style="text-align: right;">Page 18</p> <p>1 After the 10,000 pieces were taken in, were</p> <p>2 they delivered to QVC?</p> <p>3 A. Which 10,000? Before or the after?</p> <p>4 I told you, there's before QVC and after --</p> <p>5 after I shipped 10,000 QVC items. So -- so before or</p> <p>6 after?</p> <p>7 Q. Okay. You said you took in 10,000 pieces for</p> <p>8 QVC in October.</p> <p>9 A. Right. Right.</p> <p>10 Then, after, there's a continuation of products</p> <p>11 coming in.</p> <p>12 Q. Okay. Were all 10,000 pieces shipped to QVC?</p> <p>13 A. Yes.</p> <p>14 Q. Were they shipped, or were they called out by</p> <p>15 QVC customers --</p> <p>16 A. They were shipped to QVC.</p> <p>17 Q. Okay. The subsequent pieces, over what period</p> <p>18 of time would you make those shipments?</p> <p>19 A. Well, the remaining -- the flow of products</p> <p>20 that's coming in, those are for our other customers, for</p> <p>21 reorders and for the holidays. So, you know, there's</p> <p>22 always a flow of products coming in. It's not 10,000</p> <p>23 for QVC and you stop. There's a flow of products.</p> <p>24 Q. Okay. But I asked you about QVC.</p> <p>25 When did you next ship goods to QVC after the</p>	<p style="text-align: right;">Page 20</p> <p>1 Q. Where were they delivered?</p> <p>2 A. They were delivered to the Phoenix distribution</p> <p>3 in Santa Fe, which is Digital Gadgets's third-party</p> <p>4 warehouse logistics company.</p> <p>5 Q. And if you know, after delivery to Phoenix,</p> <p>6 where did those goods next go?</p> <p>7 A. Those goods, to my understanding, should be for</p> <p>8 QVC's customers.</p> <p>9 Q. Do you mean to say that they were shipped out</p> <p>10 of the Phoenix warehouse, to your understanding, direct</p> <p>11 to the QVC customer?</p> <p>12 A. Correct.</p> <p>13 Q. Now, in what manner -- withdrawn.</p> <p>14 What is the reason that that was an expedited</p> <p>15 manner of doing business?</p> <p>16 How did you save time?</p> <p>17 A. Well, saving time is -- the transit time from</p> <p>18 our warehouse to -- to QVC's DC takes about seven days.</p> <p>19 Okay? And for QVC to receive the goods and prepare the</p> <p>20 goods to ship, I don't know how long that's going to</p> <p>21 take. Okay? So with the drop-ship, they can</p> <p>22 immediately ship directly to the consumer versus going</p> <p>23 to the DC -- to the distribution center and the</p> <p>24 distribution center out to that consumer.</p> <p>25 And, again, the reason that we did the</p>
<p style="text-align: right;">Page 19</p> <p>1 10,000 pieces?</p> <p>2 A. After we shipped the 10,000 pieces to QVC, the</p> <p>3 next shipment, we actually went through Digital Gadgets.</p> <p>4 Q. What does that mean, "we went through</p> <p>5 Digital Gadgets"?</p> <p>6 A. So Interworks sells directly to QVC, to their</p> <p>7 direct DC vendor. Digital Gadgets is a drop-ship</p> <p>8 vendor. And due to the timing and the holidays, QVC</p> <p>9 needed more products and the timing for us to ship to</p> <p>10 the DC for the airing out to the customers, and the</p> <p>11 timing didn't work out. So that's where Digital Gadgets</p> <p>12 came in and asked to work together to do the online side</p> <p>13 or the drop-ship side. So we sold Digital Gadgets goods</p> <p>14 so that they can be the drop-ship vendor for QVC.</p> <p>15 Q. The goods -- the 10,000 pieces that Interworks</p> <p>16 sold to QVC were delivered to the QVC distribution</p> <p>17 center?</p> <p>18 A. Correct.</p> <p>19 Q. And they were billed to QVC by Interworks?</p> <p>20 A. Correct.</p> <p>21 Q. The drop-ship goods that you're referring to</p> <p>22 were delivered -- withdrawn.</p> <p>23 Were the drop-ship goods that you referred to</p> <p>24 delivered to the DC?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 21</p> <p>1 drop-ship is because it's a timing and it's</p> <p>2 Christmastime, and so people want their gifts before</p> <p>3 Christmas.</p> <p>4 Q. You will recall that you answered, a minute or</p> <p>5 two ago, when I was asking you about the shipments --</p> <p>6 after the 10,000 units, when your next shipments were to</p> <p>7 QVC, and your answer was that the next shipment was</p> <p>8 actually through Digital Gadgets.</p> <p>9 Do you recall that?</p> <p>10 A. Mm-hmm.</p> <p>11 Q. Okay. So was there an agreement, between you</p> <p>12 and Digital Gadgets, pertaining to the sale and delivery</p> <p>13 of hoverboard units, by Digital, to QVC, at the time</p> <p>14 that you made the sale to Digital Gadgets?</p> <p>15 A. When you refer to "agreement," do you -- are</p> <p>16 you referring to a contract, or are you referring to a</p> <p>17 PO? What are you referring to, "agreement"?</p> <p>18 Q. Do you know what an agreement is?</p> <p>19 A. I do know what an agreement is, but there's</p> <p>20 many forms of "agreement."</p> <p>21 Q. Thank you.</p> <p>22 Was there an agreement between you and</p> <p>23 Digital Gadgets whereby you and Digital Gadgets</p> <p>24 understood that these hoverboards would go to QVC?</p> <p>25 A. The agreement is they're PO'd to us.</p>

<p style="text-align: right;">Page 22</p> <p>1 Q. The Digital Gadgets PO?</p> <p>2 A. Correct. Digital Gadgets's PO.</p> <p>3 Q. Okay. However, again, referring to your</p> <p>4 earlier answer, you stated that your next shipment to</p> <p>5 QVC went through Digital Gadgets --</p> <p>6 A. Correct.</p> <p>7 Q. Do you recall that?</p> <p>8 -- so when Digital Gadgets purchased those</p> <p>9 goods from Interworks, was it your understanding that</p> <p>10 Digital Gadgets would deliver those units to QVC?</p> <p>11 A. That's correct.</p> <p>12 Q. And how many units were -- were subject of this</p> <p>13 agreement?</p> <p>14 A. 4,800 pieces for the first order.</p> <p>15 Q. First quarter of what year?</p> <p>16 A. No. First order.</p> <p>17 Q. I'm sorry. First order. Okay.</p> <p>18 And what model was that?</p> <p>19 A. Model C.</p> <p>20 Q. Now --</p> <p>21 A. And a second order of 5,800 pieces.</p> <p>22 Q. And timing-wise, when was the 4,800-piece order</p> <p>23 placed?</p> <p>24 A. 4,800-piece order was placed roughly around</p> <p>25 beginning of December.</p>	<p style="text-align: right;">Page 24</p> <p>1 Q. Now, the units for the first order, when --</p> <p>2 when that order was placed by Digital Gadgets, did</p> <p>3 Interworks have those units in inventory?</p> <p>4 A. Yes.</p> <p>5 Q. How about when the second order came?</p> <p>6 A. Yes.</p> <p>7 Q. And when -- when did you acquire those units?</p> <p>8 A. Again, it's between November through December.</p> <p>9 The whole -- products come on a container load. And</p> <p>10 there's 2,400 per container; so they come on a weekly</p> <p>11 basis.</p> <p>12 Q. Were they -- did they arrive at the same time</p> <p>13 as the 10,000 pieces that you shipped to the QVC drop</p> <p>14 center?</p> <p>15 A. No. They come two or three containers per</p> <p>16 week. So in sequence, they come, you know, on the -- on</p> <p>17 a week-to-week basis. Not in one shot, the 10,000, but,</p> <p>18 you know, little by little they trickle in.</p> <p>19 Q. Am I correct that the 10,000 pieces that you</p> <p>20 sold to QVC arrived contemporaneous with the</p> <p>21 4,800 pieces that ultimately went through</p> <p>22 Digital Gadgets?</p> <p>23 A. Can you repeat that question?</p> <p>24 Q. Let me try again. Did you --</p> <p>25 A. Yeah.</p>
<p style="text-align: right;">Page 23</p> <p>1 Q. And the 5,800-piece order?</p> <p>2 A. 5,800 pieces was around early January.</p> <p>3 Q. Now, prior to the placement of those orders --</p> <p>4 and, by the way, I want to be clear.</p> <p>5 Those were Digital Gadgets orders to</p> <p>6 Interworks; correct?</p> <p>7 A. Correct.</p> <p>8 Q. Okay. Prior to the placement of those orders,</p> <p>9 by Digital Gadgets, with Interworks, had you spoken to</p> <p>10 QVC concerning the routing of these goods through</p> <p>11 Digital Gadgets?</p> <p>12 A. Yes.</p> <p>13 Q. With whom did you speak?</p> <p>14 A. Again with Meghan Kane.</p> <p>15 Q. Tell me what those conversations were.</p> <p>16 A. The conversations were, "How can we expedite</p> <p>17 more products?" "How can we sell and push more units</p> <p>18 for the holidays?"</p> <p>19 And the solution was to use a drop-ship vendor.</p> <p>20 Q. And that was Digital Gadgets?</p> <p>21 A. So -- Digital Gadgets. Correct.</p> <p>22 Q. And that's the earlier story you told me about</p> <p>23 the introduction? That's the reason for the</p> <p>24 introduction?</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 25</p> <p>1 Q. Did these -- did you buy 10,000 pieces for drop</p> <p>2 for your shipment to the QVC DC, and then buy</p> <p>3 4,800 pieces for Digital Gadgets to drop-ship?</p> <p>4 (Verbatim.)</p> <p>5 A. No. We bought -- we bought 20,000 units --</p> <p>6 Q. Okay.</p> <p>7 A. -- from the factory. And the units that come</p> <p>8 in, we allocate 10,000 to QVC, which they committed to;</p> <p>9 and then whatever that QVC wanted additionally for the</p> <p>10 drop-ship, that's what Digital Gadgets ordered.</p> <p>11 Q. Okay. And is there a piece of paper from</p> <p>12 Interworks, to Chic, that is an order for 20,000 units</p> <p>13 of hoverboards -- these 20,000?</p> <p>14 A. You mean like a PO?</p> <p>15 Q. Yes, sir.</p> <p>16 A. Of course.</p> <p>17 Q. Okay. And do you, Interworks, maintain a copy</p> <p>18 of that PO?</p> <p>19 A. Of course.</p> <p>20 MR. LAZARUS: I call for the production of that</p> <p>21 purchase order, which I don't think has been produced.</p> <p>22 THE WITNESS: But again, Roger, with this is</p> <p>23 this is a trade secret, also, because that's my factory.</p> <p>24 And this document -- I mean, this document has all the</p> <p>25 information -- costs and -- you know, the factory</p>

<p style="text-align: right;">Page 26</p> <p>1 information. And I don't want this disclosed because --</p> <p>2 BY MR. LAZARUS:</p> <p>3 Q. I'm not interested in -- I understand what</p> <p>4 you're saying. I don't need the explanation. You don't</p> <p>5 want to produce it. I will take it up with the court</p> <p>6 down the road. I don't need the explanation.</p> <p>7 MR. HSU: Yeah. When the request is being</p> <p>8 made, we can respond to it.</p> <p>9 MR. LAZARUS: The request is being made now,</p> <p>10 and I will put it in writing when I get the transcript.</p> <p>11 But I do want to go on record. I want the PO -- or POs</p> <p>12 from Interworks, to Chic, for these -- for these</p> <p>13 hoverboards.</p> <p>14 Q. Now, when the hoverboards -- these</p> <p>15 20,000 pieces arrived, were they all received at the</p> <p>16 Interworks warehouse?</p> <p>17 A. Yes.</p> <p>18 Q. And the approximately 10,000 pieces were</p> <p>19 drop-shipped to -- pardon me -- were -- withdrawn.</p> <p>20 10,000 pieces, approximately, were shipped to</p> <p>21 the QVC distribution center, and another 10,000 over</p> <p>22 time, approximately, went to the Phoenix warehouse for</p> <p>23 Digital Gadgets?</p> <p>24 A. Correct.</p> <p>25 Q. Was there one PO to Chic, from Interworks, for</p>	<p style="text-align: right;">Page 28</p> <p>1 you referring to working in the pick-and-pack, or are</p> <p>2 you talking about working in the office?</p> <p>3 I mean -- you know, the question is kind of</p> <p>4 vague. Like, you know, working in the warehouse -- my</p> <p>5 employees who do processing don't really work in the</p> <p>6 warehouse.</p> <p>7 Q. Then you answered the question.</p> <p>8 A. Yeah.</p> <p>9 Q. How many work in the warehouse?</p> <p>10 A. About three, four.</p> <p>11 Q. Okay. And how many work in the office</p> <p>12 associated with the warehouse?</p> <p>13 A. About five.</p> <p>14 Q. Is Mr. Tu one of those?</p> <p>15 A. He's one of the five.</p> <p>16 Q. Do the four warehouse workers have different</p> <p>17 duties from one another?</p> <p>18 A. No.</p> <p>19 Q. Okay. What do they do? What do they do when</p> <p>20 goods are received?</p> <p>21 A. They unload containers, pick-and-pack.</p> <p>22 Q. So our record is clear, when you say</p> <p>23 "pick-and-pack," what does that mean?</p> <p>24 A. That means they take the product, label the</p> <p>25 product with the shipping information, and get it ready</p>
<p style="text-align: right;">Page 27</p> <p>1 these 20,000 pieces, or more than one?</p> <p>2 A. Through the year or...? I mean --</p> <p>3 Q. These 20,000 pieces that we've been talking</p> <p>4 about.</p> <p>5 A. I don't remember how many POs. But it could be</p> <p>6 one; it could be two.</p> <p>7 Q. Okay. And what was ordered on the POs?</p> <p>8 A. The Model C hoverboards.</p> <p>9 Q. And the Model C hoverboards that were shipped</p> <p>10 to the QVC distribution center, were they from the same</p> <p>11 POs that were shipped by Interworks to -- to Phoenix,</p> <p>12 the warehouse for Digital Gadgets?</p> <p>13 A. Yes.</p> <p>14 Q. So that the hoverboards that went from</p> <p>15 Interworks to QVC should have been identical to the</p> <p>16 hoverboards that went from Digital to -- drop-shipped to</p> <p>17 QVC's customers?</p> <p>18 A. Yes.</p> <p>19 Q. And when -- withdrawn.</p> <p>20 Of the nine employees that Interworks has, were</p> <p>21 they all there in calendar year 2016 and '17?</p> <p>22 A. I believe so.</p> <p>23 Q. And how many of those employees were at the</p> <p>24 warehouse or worked at the warehouse?</p> <p>25 A. So when you say "worked at the warehouse," are</p>	<p style="text-align: right;">Page 29</p> <p>1 and prepare to ship.</p> <p>2 Q. And in the ordinary course, do they inspect the</p> <p>3 received units?</p> <p>4 A. They do not inspect goods.</p> <p>5 Q. Why not?</p> <p>6 A. Well, let me rephrase that.</p> <p>7 When you talk about "inspect the goods" -- so</p> <p>8 are you talking about opening the boxes and looking into</p> <p>9 the products and inspecting the products, or are you</p> <p>10 talking about making sure that the boxes are not damaged</p> <p>11 from the outside?</p> <p>12 Q. Okay. Whichever one you want.</p> <p>13 Do they inspect the goods or not?</p> <p>14 A. Well, they do inspect the goods, looking --</p> <p>15 making sure that the product is not damaged from the</p> <p>16 outside.</p> <p>17 Q. So they don't open the box?</p> <p>18 A. They do not open the box. However, we do do</p> <p>19 spot checks. So what we do is Tony -- he goes out there</p> <p>20 and opens certain boxes, turn it on, turn it off to test</p> <p>21 the products. (Verbatim.) And after that is done, then</p> <p>22 everything goes out.</p> <p>23 Q. Do you know that Mr. Tony Tu did that with</p> <p>24 respect to the hoverboards that were delivered, by</p> <p>25 Interworks, to Digital Gadgets?</p>



<p style="text-align: right;">Page 30</p> <p>1 A. Yeah, he did do the inspection.</p> <p>2 Q. How do you know?</p> <p>3 A. Because he inspects the product. That's part</p> <p>4 of his job.</p> <p>5 Q. Okay. But do you know that he inspected these</p> <p>6 goods?</p> <p>7 A. Yes.</p> <p>8 Q. How do you know that?</p> <p>9 A. Because he -- he communicated with</p> <p>10 Digital Gadgets that, you know, the products that went</p> <p>11 out -- (inaudible) his inspections.</p> <p>12 MR. LAZARUS: Could you repeat the --</p> <p>13 THE REPORTER: Did you say "passed his</p> <p>14 inspections"?</p> <p>15 THE WITNESS: Huh?</p> <p>16 THE REPORTER: "Because he -- he communicated</p> <p>17 with Digital Gadgets that, you know, the products that</p> <p>18 went out" --</p> <p>19 Did you say "passed his inspection"? Is that</p> <p>20 what you said?</p> <p>21 THE WITNESS: "Passed inspection"?</p> <p>22 THE REPORTER: I'm asking you.</p> <p>23 THE WITNESS: Oh, okay.</p> <p>24 Yeah, make sure that the products are spot</p> <p>25 checked and tested, and make sure they're good.</p>	<p style="text-align: right;">Page 32</p> <p>1 products arrived at your warehouse, what paperwork came</p> <p>2 with the hoverboards?</p> <p>3 A. That would be standard bill of lading. And I</p> <p>4 believe the -- the performer invoices from -- from</p> <p>5 the -- from the factory that comes along with the bill</p> <p>6 of lading.</p> <p>7 Q. Now, prior to the 20,000 pieces that we're</p> <p>8 talking about arriving at the Interworks warehouse, and</p> <p>9 in the process of Interworks making sales to QVC, did</p> <p>10 Interworks supply product specifications to QVC for</p> <p>11 these hoverboards?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. And how do you know that that happened?</p> <p>14 A. Well, that's -- that's a requirement for</p> <p>15 documentations that they request and that we submitted</p> <p>16 to them.</p> <p>17 Q. What are those documentations?</p> <p>18 A. The UL certifications and patent. And I</p> <p>19 think -- I think those are the two major ones that we</p> <p>20 have submitted to them.</p> <p>21 Q. Do you know if third-party test reports were</p> <p>22 submitted?</p> <p>23 A. I believe so.</p> <p>24 Q. And who at Interworks was tasked with sending</p> <p>25 those documents for the --</p>
<p style="text-align: right;">Page 31</p> <p>1 BY MR. LAZARUS:</p> <p>2 Q. So how do you know he did this?</p> <p>3 A. How do I know he did that?</p> <p>4 Well, that's part of his job. I mean, I don't</p> <p>5 know if did he it or not, but he -- that's -- he claimed</p> <p>6 that he did. He said that he did. And that's part of</p> <p>7 his job. And that's not only for QVC. That's for every</p> <p>8 customer that we ship the products to.</p> <p>9 One thing is -- that we do clearly is, when the</p> <p>10 goods come in, instead of having the guys that did the</p> <p>11 pick-and-pack, I have Tony, which is a more knowledge</p> <p>12 and detailed person, inspect the product.</p> <p>13 Q. And the inspection that you referred to was he</p> <p>14 opened boxes and turned the product on and off?</p> <p>15 A. Right. Testing the product if everything is</p> <p>16 functioning correctly.</p> <p>17 Q. Which means turning it on and turning it off?</p> <p>18 A. Turning it on, making sure the wheels spin</p> <p>19 and -- you know, that's a typical test that we do.</p> <p>20 Q. Do you keep records of those tests?</p> <p>21 A. We don't have records of those tests.</p> <p>22 Q. Do you know if Mr. Tony Tu kept records of his</p> <p>23 testing?</p> <p>24 A. I don't think he -- we keep testing records.</p> <p>25 Q. Now, when the products arrive -- the hoverboard</p>	<p style="text-align: right;">Page 33</p> <p>1 A. Tony sent those documents.</p> <p>2 Q. Did Tony set up the hoverboard product on the</p> <p>3 QVC vendor portal?</p> <p>4 A. Yes.</p> <p>5 Q. What does that mean? What did he do?</p> <p>6 A. So I don't handle that aspect. Okay? So what</p> <p>7 that means is -- to my knowledge, is putting up the</p> <p>8 vendor number, the UPC number, you know, the cost.</p> <p>9 Basic setup information.</p> <p>10 Q. Okay. And do you know if QVC has a process</p> <p>11 whereby they pass or fail proposed products?</p> <p>12 A. I think so.</p> <p>13 Q. Are you a participant, you personally, in that</p> <p>14 process?</p> <p>15 A. No, I'm not.</p> <p>16 Q. Who is?</p> <p>17 A. Tony was the one who did the processing.</p> <p>18 Q. Okay. Does Tony -- was it Tony's job to</p> <p>19 physically send a hoverboard to QVC for their</p> <p>20 inspection?</p> <p>21 A. Yes.</p> <p>22 Q. And do you know how many hoverboards were sent</p> <p>23 to QVC for QVC's approval before delivery of the</p> <p>24 10,000 pieces by Interworks?</p> <p>25 A. I'm not -- I'm not sure how many pieces they</p>

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<p>1 Q. Okay. But do you know if the units you 2 purchased from Chic were manufactured by Chic all at the 3 same time?</p> <p>4 A. To my understanding, yes.</p> <p>5 Q. Do you know what a "lot" is?</p> <p>6 A. I know what a "lot" is.</p> <p>7 Q. What is a "lot"?</p> <p>8 A. A "lot" is what they produce in a group, what 9 goes out.</p> <p>10 Q. Were these goods -- I'm sorry.</p> <p>11 Were the goods received by Interworks in the 12 fall of 2016 from one lot or more than one lot?</p> <p>13 A. Again, we PO for 20,000 pieces. And what we 14 receive should be from one lot.</p> <p>15 Q. Why do you say it should be from one lot?</p> <p>16 A. Or it is from one lot.</p> <p>17 Q. How do you know?</p> <p>18 A. I don't know.</p> <p>19 Q. And do you know that -- or do you know if, in 20 the course of manufacturing consumer electronic 21 products, there's a variation, from time to time, in the 22 product of goods from lot to lot?</p> <p>23 A. I'm a distributor. So I'm not a manufacturer. 24 So I'm not very familiar with that.</p> <p>25 Q. And you don't check for it?</p>	<p>1 MR. HSU: That is a speaking objection. But 2 prior to that, it wasn't.</p> <p>3 BY MR. LAZARUS:</p> <p>4 Q. How do you know the goods were accepted?</p> <p>5 A. Same thing as conforming, you know. We 6 understand that the product is -- the product that we 7 receive and accept are the quality product that Chic 8 produces, based on what they have on their patent, 9 what -- their claims on the patents, and what components 10 they use in their patented product.</p> <p>11 Q. And the products that you received that were 12 sent or delivered by Interworks to the QVC distribution 13 center were supposed to be conforming and the same as 14 the products that were delivered by Interworks to 15 Digital Gadgets for drop-shipment; is that correct?</p> <p>16 A. Correct.</p> <p>17 MR. LAZARUS: Let's take a two-minute break. (Brief recess.)</p> <p>19 MR. LAZARUS: Back on the record.</p> <p>20 Q. Mr. Lu, do you know a person Charlie Tebele?</p> <p>21 A. Yes.</p> <p>22 Q. Have you ever met him?</p> <p>23 A. Yes.</p> <p>24 Q. When did you meet him first?</p> <p>25 A. CES 2017.</p>
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<p>1 A. I look at, I visit the factory. I see the 2 production line. And from what is proven and shown to 3 me at the factory, I have all reason to believe that 4 these are high-quality goods. They've presented the 5 patent. So, you know, the -- my understanding, these 6 are the superior products, compared to what's in the 7 market.</p> <p>8 Q. Referring again to Paragraph 9, "Even though 9 the hoverboards were conforming and accepted" -- what do 10 you mean when you say they were accepted?</p> <p>11 A. They're accepted because, again, the products 12 are from Chic. And they have the patent to support 13 their product, and they have the quality control to 14 support their product.</p> <p>15 Q. But what do you mean, they were -- these 16 hoverboards were accepted?</p> <p>17 MR. HSU: Objection. Calls for a legal 18 conclusion. And calls for speculation.</p> <p>19 MR. LAZARUS: Okay. No speaking objections.</p> <p>20 The witness can answer.</p> <p>21 MR. HSU: That's not a speaking objection.</p> <p>22 MR. LAZARUS: That's a speaking objection.</p> <p>23 MR. HSU: That's my document, not his document.</p> <p>24 How --</p> <p>25 MR. LAZARUS: It's a speaking objection and --</p>	<p>1 Q. And what is CES?</p> <p>2 A. Consumer Electronics Show.</p> <p>3 Q. And that show is usually in January, is it not?</p> <p>4 A. Beginning of January.</p> <p>5 Q. Prior to meeting Mr. Tebele at CES 2017, had 6 you ever spoken to him?</p> <p>7 A. Yes.</p> <p>8 Q. How much prior to CES had you spoken to him?</p> <p>9 A. I don't recall how many times, but there were a 10 few conference calls.</p> <p>11 Q. How much backwards in time was that?</p> <p>12 Weeks? Days? Months?</p> <p>13 A. Probably months.</p> <p>14 Q. Was Mr. Tebele the first person you spoke to 15 after the introduction by Meghan?</p> <p>16 A. No.</p> <p>17 Q. Who you did you speak to first?</p> <p>18 A. Chris Mitchell.</p> <p>19 Q. Okay. And how many times did you speak to 20 Chris Mitchell before you met with Mr. Tebele?</p> <p>21 A. Numerous times.</p> <p>22 So can I ask a question?</p> <p>23 So it's my understanding that Mr. Mitchell is 24 no longer with the company. Is that... just asking if 25 he's still with the company.</p>

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<p>1 would pass the quality control inspection in industry 2 standard -- the QC control is done on the factory level, 3 which is the manufacturer, which is Chic. So the 4 products that we received and the products that we sell 5 are warranted by Chic, which is a factory. So this 6 statement here, this clause here is really incorrect. 7 <b>Q.</b> It's incorrect? 8 <b>A.</b> Yes, because we're not the manufacturer. 9 <b>Q.</b> Okay. So are you -- is it your testimony that 10 you did not warrant to Digital Gadgets that the goods 11 would pass QVC quality control? 12 <b>A.</b> Well, we -- we don't warrant the goods because 13 that's the manufacturer's job. So if there is a problem 14 with the product, it would be returned back to the 15 factory for credit. Okay? So it's not our 16 responsibility, because we're a distributor and not the 17 manufacturer; so we don't warrant the goods. 18 <b>Q.</b> Well, DG could not have returned the goods to 19 Chic for credit because they weren't billed by Chic. 20 <b>A.</b> But DG has -- when -- we've requested DG to 21 ship the goods back to us, but they refused. 22 <b>Q.</b> But that's not my question. My -- 23 <b>A.</b> But that's my answer to -- 24 <b>Q.</b> My question is that DG had no contract with 25 Chic and, therefore, could not have returned the goods</p>	<p>1 <b>Q.</b> I want you to look, please, at Paragraph -- 2 withdrawn. 3 I want you to look, please, at Lu 2, and 4 specifically at Page Number 6. I apologize. Page 5 Number 5. 6 Do you see there's a Paragraph 44 there? 7 <b>A.</b> Mm-hmm. 8 <b>Q.</b> And if I told you that each paragraph of the -- 9 your answer corresponds to a similarly numbered 10 paragraph of the complaint, would you agree? 11 <b>A.</b> Not understanding the question. 12 <b>Q.</b> Okay. Well, do you see Paragraph 44 of the 13 third counterclaim, which is the one that we were 14 looking at? 15 <b>A.</b> The first counter -- the first one? 16 <b>Q.</b> Third counterclaim, Page 7. 17 <b>A.</b> Okay. 18 <b>Q.</b> And that's the paragraph we just looked at. 19 Do you see that? 20 <b>A.</b> Mm-hmm. 21 <b>Q.</b> And do you see that that's the one where 22 Interworks warrants the quality -- would pass quality 23 control inspection and industry standards? Do you see 24 that? 25 <b>A.</b> Right.</p>
Page 55	Page 57
<p>1 to Chic for credit because they didn't buy them from 2 Chic. 3 <b>A.</b> But they could have returned it back to us, and 4 we would have returned it back to the factory. 5 <b>Q.</b> Because you were their supplier? 6 <b>A.</b> Correct. 7 <b>Q.</b> Okay. And the question, however, that led us 8 down this path was, did you, Interworks, warrant the 9 quality of these goods to Digital Gadgets? 10 <b>A.</b> So the factory warrants the products to 11 Interworks, which -- we warrant the product to 12 Digital Gadgets. So should Digital Gadgets have any 13 issues with the quality, it would be a -- it should be 14 returned back to us, and then we would pass it back to 15 the factory. 16 However, Digital Gadgets never paid for the 17 goods; so I don't know how it can credit them for the 18 goods. 19 <b>Q.</b> Did you tell Digital Gadgets that the goods 20 would pass QVC quality control? 21 <b>A.</b> Well, that's the only way we can sell to QVC, 22 is to pass the QVC quality control. 23 <b>Q.</b> So you told DG that these goods would pass QVC 24 quality control? 25 <b>A.</b> Correct.</p>	<p>1 <b>Q.</b> And do you see, at Paragraph 44 of the answer, 2 Interworks admits that? 3 <b>A.</b> That it passed the quality control? 4 <b>Q.</b> You admit that it would pass the quality 5 control? 6 <b>A.</b> Correct. 7 <b>Q.</b> And you admit that it would pass the quality 8 control of QVC? 9 <b>A.</b> Yes. 10 MR. LAZARUS: Okay. I'd like to have marked as 11 the next exhibit, which would be Lu 3, an e-mail chain 12 consisting of two pages, the first of which is an e-mail 13 from Chris Mitchell to Eric, the next is an e-mail from 14 Eric to Chris Mitchell, and the next is from 15 Chris Mitchell to Eric. It's dated June 7th, the 16 Chris Mitchell e-mail, at the top; and June 6th is below 17 that. 18 (Defendant/Counter-Claimant's Exhibit 19 Lu 3 was marked for identification by 20 the Court Reporter, and a copy is 21 attached hereto.) 22 BY MR. LAZARUS: 23 <b>Q.</b> If you'll take a minute to look at these 24 e-mails. 25 <b>A.</b> Okay.</p>

<p style="text-align: right;">Page 78</p> <p>1 Chic. I will issue an RA tomorrow. I</p> <p>2 could only provide you with the documents</p> <p>3 that I have which are provided from Chic,</p> <p>4 and those are the documents that I provided</p> <p>5 to you. And what they gave me is also what</p> <p>6 I have provided to QVC the first time</p> <p>7 around. If there's QA submission issues,</p> <p>8 please send me the reports, and I can have</p> <p>9 Chic provide the documents to me."</p> <p>10 Do you see that?</p> <p>11 A. Mm-hmm.</p> <p>12 Q. Did Mr. Mitchell ever submit the submissions to</p> <p>13 you?</p> <p>14 A. I don't recall.</p> <p>15 Q. Okay. But you do know -- or you did see</p> <p>16 Ms. Kane's e-mail, where they were trying to contact you</p> <p>17 relative to these products, and Ms. Kane maintains that</p> <p>18 you refused to cooperate.</p> <p>19 You saw that; right?</p> <p>20 A. Again, this is not CC'd to me; so I -- I'm not</p> <p>21 aware of that. Okay? I don't have any e-mails of them</p> <p>22 sending me requests of that.</p> <p>23 MR. LAZARUS: Okay. It's a quarter after</p> <p>24 12:00.</p> <p>25 MR. HSU: You want to take an hour?</p> <p style="text-align: right;">Page 79</p> <p>1 MR. LAZARUS: Yeah.</p> <p>2 MR. HSU: Okay.</p> <p>3 (Lunch recess taken at 12:14 P.M.)</p> <p>4 (Proceedings resumed at 1:15 P.M.)</p> <p>5 BY MR. LAZARUS:</p> <p>6 Q. Mr. Lu, good afternoon.</p> <p>7 Did you ever discuss the possibility of</p> <p>8 entering into an exclusive arrangement with</p> <p>9 Digital Gadgets for the hoverboard?</p> <p>10 A. It was brought to me. It was asked on behalf</p> <p>11 of Digital Gadgets. It was never confirmed. And it was</p> <p>12 never said that we would go into exclusivity, but it was</p> <p>13 something that they wanted.</p> <p>14 Q. When you say, "it was something that they</p> <p>15 wanted," with whom did you discuss exclusivity?</p> <p>16 A. This was with Chris Mitchell and Chris Tebele.</p> <p>17 Q. And did you discuss it with them via e-mail, in</p> <p>18 person, or by phone, or all of them?</p> <p>19 A. All of them.</p> <p>20 Q. And did you discuss exclusivity with Mr. Tebele</p> <p>21 in person?</p> <p>22 A. It was asked for exclusivity, by Mr. Tebele,</p> <p>23 during the CES meeting that we had.</p> <p>24 Q. And what did you say?</p> <p>25 A. I said we would think about it and see how our</p>	<p style="text-align: right;">Page 80</p> <p>1 business would progress, then we can consider it.</p> <p>2 Q. And did you ever further discuss it after CES?</p> <p>3 A. It was requested again by Chris Mitchell on</p> <p>4 e-mails, requesting if they can have an exclusivity.</p> <p>5 Q. And what did you say?</p> <p>6 A. The answer was "No."</p> <p>7 Q. Did you actually say "No"?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. And you said that in an e-mail?</p> <p>10 A. It said it in an e-mail and in a phone</p> <p>11 conversation.</p> <p>12 Q. Do you have that e-mail with you --</p> <p>13 A. No.</p> <p>14 Q. -- or available?</p> <p>15 How about with Mr. Tebele? Did you ever tell</p> <p>16 Mr. Tebele, "No, there will not be exclusivity"?</p> <p>17 A. He was probably CC'd on the e-mails too.</p> <p>18 Q. I want to show you the next e-mail that was</p> <p>19 previously Bates stamped Digital Gadgets 35 and have</p> <p>20 that marked as Lu 5.</p> <p>21 (Defendant/Counter-Claimant's Exhibit</p> <p>22 Lu 5 was marked for identification by</p> <p>23 the Court Reporter, and a copy is</p> <p>24 attached hereto.)</p> <p>25 THE WITNESS: Okay.</p> <p style="text-align: right;">Page 81</p> <p>1 BY MR. LAZARUS:</p> <p>2 Q. Have you seen that e-mail before?</p> <p>3 A. Yes.</p> <p>4 Q. And did you discuss exclusivity with Mr. Tebele</p> <p>5 at CES?</p> <p>6 A. Not in great detail.</p> <p>7 And, again, it was their request and asking me</p> <p>8 permission for exclusivity.</p> <p>9 Q. Now, during the period of the fall of 2016, and</p> <p>10 after you delivered to the QVC distribution center the</p> <p>11 10,000 pieces that we spoke of this morning, did you</p> <p>12 continue to deliver High Roller Model Cs to QVC</p> <p>13 directly?</p> <p>14 A. No.</p> <p>15 Q. What was the reason?</p> <p>16 A. The reason being is QVC wanted to have a</p> <p>17 drop-ship vendor to drop-ship the goods.</p> <p>18 Q. And did there come a time when you approached</p> <p>19 QVC and asked to resume shipping hoverboards to QVC</p> <p>20 directly from Interworks?</p> <p>21 A. No.</p> <p>22 Q. You never went back to them and asked them to</p> <p>23 resume direct hoverboard purchases from you?</p> <p>24 A. Because at that time, QVC did not set up a --</p> <p>25 an airing, to my knowledge, to air the product during</p>
<p>1 MR. LAZARUS: Yeah.</p> <p>2 MR. HSU: Okay.</p> <p>3 (Lunch recess taken at 12:14 P.M.)</p> <p>4 (Proceedings resumed at 1:15 P.M.)</p> <p>5 BY MR. LAZARUS:</p> <p>6 Q. Mr. Lu, good afternoon.</p> <p>7 Did you ever discuss the possibility of</p> <p>8 entering into an exclusive arrangement with</p> <p>9 Digital Gadgets for the hoverboard?</p> <p>10 A. It was brought to me. It was asked on behalf</p> <p>11 of Digital Gadgets. It was never confirmed. And it was</p> <p>12 never said that we would go into exclusivity, but it was</p> <p>13 something that they wanted.</p> <p>14 Q. When you say, "it was something that they</p> <p>15 wanted," with whom did you discuss exclusivity?</p> <p>16 A. This was with Chris Mitchell and Chris Tebele.</p> <p>17 Q. And did you discuss it with them via e-mail, in</p> <p>18 person, or by phone, or all of them?</p> <p>19 A. All of them.</p> <p>20 Q. And did you discuss exclusivity with Mr. Tebele</p> <p>21 in person?</p> <p>22 A. It was asked for exclusivity, by Mr. Tebele,</p> <p>23 during the CES meeting that we had.</p> <p>24 Q. And what did you say?</p> <p>25 A. I said we would think about it and see how our</p>	<p>1 BY MR. LAZARUS:</p> <p>2 Q. Have you seen that e-mail before?</p> <p>3 A. Yes.</p> <p>4 Q. And did you discuss exclusivity with Mr. Tebele</p> <p>5 at CES?</p> <p>6 A. Not in great detail.</p> <p>7 And, again, it was their request and asking me</p> <p>8 permission for exclusivity.</p> <p>9 Q. Now, during the period of the fall of 2016, and</p> <p>10 after you delivered to the QVC distribution center the</p> <p>11 10,000 pieces that we spoke of this morning, did you</p> <p>12 continue to deliver High Roller Model Cs to QVC</p> <p>13 directly?</p> <p>14 A. No.</p> <p>15 Q. What was the reason?</p> <p>16 A. The reason being is QVC wanted to have a</p> <p>17 drop-ship vendor to drop-ship the goods.</p> <p>18 Q. And did there come a time when you approached</p> <p>19 QVC and asked to resume shipping hoverboards to QVC</p> <p>20 directly from Interworks?</p> <p>21 A. No.</p> <p>22 Q. You never went back to them and asked them to</p> <p>23 resume direct hoverboard purchases from you?</p> <p>24 A. Because at that time, QVC did not set up a --</p> <p>25 an airing, to my knowledge, to air the product during</p>



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<p>1 the summer -- during the period of time. So they had it</p> <p>2 online, which -- Digital Gadgets did the fulfillment.</p> <p>3 <b>Q.</b> I'll show you next an e-mail chain Bates</p> <p>4 stamped 244 through 246.</p> <p>5 I'll have that marked as Lu 6.</p> <p>6 (Defendant/Counter-Claimant's Exhibit</p> <p>7 Lu 6 was marked for identification by</p> <p>8 the Court Reporter, and a copy is</p> <p>9 attached hereto.)</p> <p>10 THE WITNESS: Okay.</p> <p>11 BY MR. LAZARUS:</p> <p>12 <b>Q.</b> Do you see that, in this e-mail chain, the red</p> <p>13 comments are yours?</p> <p>14 <b>A.</b> Correct.</p> <p>15 <b>Q.</b> And do you see that, at Page 244, towards the</p> <p>16 bottom, you write, "Also, these are goods that I</p> <p>17 could have sold to my other accounts, and</p> <p>18 I've given you guys a lower cost for</p> <p>19 servicing QVC"?</p> <p>20 Do you see that?</p> <p>21 <b>A.</b> Mm-hmm.</p> <p>22 <b>Q.</b> What do you mean, that you gave them a lower</p> <p>23 cost for servicing QVC?</p> <p>24 (Interruption in proceedings due to cell</p> <p>25 phone.)</p>	<p>1 <b>A.</b> Well, explaining to them that -- the legal</p> <p>2 process and how the progress of the case is going for</p> <p>3 Chic and their -- and their -- how they're holding up</p> <p>4 with their patent against all the copycats.</p> <p>5 <b>Q.</b> In the same portion at Bates stamp Page 245,</p> <p>6 you continue, "and also pitch the new Model F and K2</p> <p>7 Mini. As I have told you, I am there to</p> <p>8 discuss the product, either Digital Gadget</p> <p>9 (sic) or Interworks sells to QVC is not my</p> <p>10 concern."</p> <p>11 Do you see that?</p> <p>12 <b>A.</b> Mm-hmm.</p> <p>13 <b>Q.</b> What was that in reference to?</p> <p>14 <b>A.</b> It's in reference to us pitching the new</p> <p>15 products to QVC; and whether QVC wants to buy directly</p> <p>16 from Interworks for the store, or we can be set up as a</p> <p>17 direct vendor at the time, or Digital Gadgets can</p> <p>18 also -- we can allow Digital Gadgets to sell the Model F</p> <p>19 and K2, the new products, to QVC as a drop-ship vendor.</p> <p>20 <b>Q.</b> And was it your contemplation that, while</p> <p>21 Digital Gadgets was drop-shipping QVC, you would</p> <p>22 simultaneously be shipping direct to their DC?</p> <p>23 <b>A.</b> Could be, yeah.</p> <p>24 <b>Q.</b> Did you ever agree with Digital Gadgets that,</p> <p>25 for so long as they were drop-shipping QVC, you would</p>
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<p>1 MR. LAZARUS: I'll call you back.</p> <p>2 THE WITNESS: I offered them a better cost to</p> <p>3 continue to service QVC.</p> <p>4 BY MR. LAZARUS:</p> <p>5 <b>Q.</b> And how were they servicing QVC?</p> <p>6 <b>A.</b> Drop-shipping.</p> <p>7 <b>Q.</b> What did you mean when you used the expression</p> <p>8 "servicing"?</p> <p>9 <b>A.</b> "Servicing" is drop-shipping, because you're a</p> <p>10 drop-ship vendor or not a drop-ship vendor.</p> <p>11 <b>Q.</b> The same exhibit, Bates Stamp Page 244 -- 245.</p> <p>12 Again your red comment, beginning, "As I've been up</p> <p>13 front with you."</p> <p>14 "As I have been upfront with you and told</p> <p>15 you that I was going to visit QVC, and we</p> <p>16 want to lay to rest all these claims and</p> <p>17 update the buyers the currently situation</p> <p>18 (sic) with the ITC lawsuit and all the</p> <p>19 legal issues surrounding the hoverboards."</p> <p>20 What were you referring to?</p> <p>21 <b>A.</b> The ITC lawsuit is a -- it is a case of --</p> <p>22 surrounding Chic suing all the copycats in the market</p> <p>23 making hoverboards.</p> <p>24 <b>Q.</b> What were you approaching or going to go to QVC</p> <p>25 about?</p>	<p>1 not ship direct to the QVC --</p> <p>2 <b>A.</b> No.</p> <p>3 <b>Q.</b> -- DC?</p> <p>4 <b>A.</b> No.</p> <p>5 <b>Q.</b> What -- why would QVC need both sources of --</p> <p>6 <b>A.</b> QVC don't -- I'm sorry. Go ahead.</p> <p>7 <b>Q.</b> -- of the hoverboard?</p> <p>8 <b>A.</b> So QVC does not need both parties. Okay? So</p> <p>9 for me, I can sell QVC directly, which -- they have to</p> <p>10 have an air time. And with the air time, they would do</p> <p>11 the -- their airing of the hoverboards. And then we</p> <p>12 would, like the first round, ship the goods directly to</p> <p>13 the DC, and they would send it out to the consumers.</p> <p>14 Now, I can use Digital Gadgets. I can use</p> <p>15 distributor A, B, C, D, E -- whoever I want to use. It</p> <p>16 doesn't have to be Digital Gadgets. So I can assign</p> <p>17 whomever I want to be the drop-ship vendor per QVC</p> <p>18 wanting -- "Hey, we like to work with this guy," "this</p> <p>19 guy," "this guy."</p> <p>20 I can sell it to whomever I want. But</p> <p>21 initially we were working with Digital Gadgets. So, you</p> <p>22 know, we talked about how, if I'm going to sell the</p> <p>23 product and if this has to go to a drop-ship, then I'll</p> <p>24 allow them to sell it.</p> <p>25 <b>Q.</b> You would allow Digital Gadgets to do the</p>



<p style="text-align: right;">Page 86</p> <p>1 drop-ship --</p> <p>2 A. Correct.</p> <p>3 Q. -- because you did not want to do the</p> <p>4 drop-ship?</p> <p>5 A. No. Because we're not a certified drop-ship</p> <p>6 vendor. That's a whole different process.</p> <p>7 Q. What does that mean, "a certified drop-ship</p> <p>8 vendor"?</p> <p>9 A. So you have to apply to be a drop-ship vendor</p> <p>10 because the process labeling and that stuff is different</p> <p>11 than shipping it directly to a DC, because now you're</p> <p>12 shipping directly to a consumer on behalf of QVC so. We</p> <p>13 were not the drop-ship vendor at the time.</p> <p>14 Q. So when you say you're not a certified</p> <p>15 drop-ship vendor, you mean that QVC had not certified</p> <p>16 Interworks as a drop-ship vendor?</p> <p>17 A. Right. We do not have that part of the vendor.</p> <p>18 Q. And QVC, at the point in time of November or</p> <p>19 thereabouts of 2016, wanted drop-ship goods as opposed</p> <p>20 to shipments directly to their DC?</p> <p>21 A. Well, the second shipment which we used</p> <p>22 Digital Gadgets for was that -- because of the timing</p> <p>23 issue. And that's why we sold the goods to Digital</p> <p>24 Gadgets.</p> <p>25 Q. What about the next shipment?</p>	<p style="text-align: right;">Page 88</p> <p>1 number, a PO number, in the left-hand columns?</p> <p>2 A. Correct.</p> <p>3 Q. Who assigned the PL number?</p> <p>4 A. That would be from Digital Gadgets.</p> <p>5 Q. What does that stand for?</p> <p>6 A. Purchase order number.</p> <p>7 Q. The PL number stands for the purchase order</p> <p>8 number?</p> <p>9 A. I'm sorry. The PL number is our sales order</p> <p>10 number.</p> <p>11 Q. Okay. So is there an internal document called</p> <p>12 a sales order?</p> <p>13 A. Yes.</p> <p>14 Q. And is it something that is printed, or is it</p> <p>15 maintained solely in the computer systems of Interworks?</p> <p>16 A. It is in the system.</p> <p>17 Q. And what --</p> <p>18 A. And it's -- it's also printed.</p> <p>19 Q. And what does it show on the sales orders?</p> <p>20 A. The same information that's on the invoice.</p> <p>21 Q. Okay. And this invoice, do you see that the</p> <p>22 terms state "Net 60 days"?</p> <p>23 A. Correct.</p> <p>24 Q. What does that mean?</p> <p>25 A. That means this invoice is due 60 days upon the</p>
<p style="text-align: right;">Page 87</p> <p>1 A. Well, the second shipment was also the</p> <p>2 continuation. Because they needed more goods, and the</p> <p>3 products were selling; so Digital Gadgets continued to</p> <p>4 order.</p> <p>5 Q. What was the reason that you did not ship these</p> <p>6 later shipments direct to QVC?</p> <p>7 A. Because we were looking at the new models.</p> <p>8 MR. LAZARUS: I want to put in front of the</p> <p>9 witness a group of documents that was previously marked</p> <p>10 Asamoah 1 through Asamoah 5, which we've described on</p> <p>11 yesterday's transcript with Mr. Tu.</p> <p>12 Q. If you could take a look at that, please.</p> <p>13 A. Okay.</p> <p>14 Q. Mr. Lu, have you had an opportunity to review</p> <p>15 the documents in front of you, Asamoah 1 through 5?</p> <p>16 A. Yeah.</p> <p>17 Q. Okay. I want you to turn to the page -- fourth</p> <p>18 page in, which is marked Asamoah 2.</p> <p>19 A. Okay.</p> <p>20 Q. And do you know what this document is?</p> <p>21 A. Yeah. This is our invoice to Digital Gadgets.</p> <p>22 Q. Okay. And what product were you invoicing?</p> <p>23 A. High Roller Model C black and High Roller</p> <p>24 Model C white.</p> <p>25 Q. Do you see the Interworks document has a PL</p>	<p style="text-align: right;">Page 89</p> <p>1 ship date.</p> <p>2 Q. And if you turn, in the document, further on,</p> <p>3 and if you can find the document Bates stamped</p> <p>4 Digital Gadgets 199.</p> <p>5 A. Okay.</p> <p>6 Q. What is this document?</p> <p>7 A. That's a picking sheet.</p> <p>8 Q. And what is a picking sheet?</p> <p>9 A. A picking sheet is what we would put out for</p> <p>10 the shippers to pick the product, and then confirm that</p> <p>11 it's shipped the units that it was -- it was supposed to</p> <p>12 be packed.</p> <p>13 Q. And do you see on that document, one of the</p> <p>14 notations is "Consignment"?</p> <p>15 A. Mm-hmm.</p> <p>16 Q. What does that mean?</p> <p>17 A. Consignment means we assign the products to the</p> <p>18 customer, and they -- yeah, and then they pay the goods.</p> <p>19 Q. And then they what?</p> <p>20 A. They pay the goods as we ship the goods.</p> <p>21 Q. Okay. And did you enter into an arrangement</p> <p>22 with Digital Gadgets for consignment sales?</p> <p>23 A. We did not engage in a consignment deal with</p> <p>24 Digital Gadgets.</p> <p>25 There was a discussion of consignment under the</p>

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<p>1 condition and stipulation of Digital Gadgets providing 2 their financials to our factor to see how much credit 3 that they are creditworthy of (verbatim), in which we've 4 requested for two and a half months. And Charlie Tebele 5 would give us the runaround. 6 And, also, the bank -- I'm going to use the 7 word "conspired" with Charlie, saying that they had 8 faxed the information numerous times and our insurance 9 company had never got anything. And we followed up; we 10 called. No response from anybody, and never was any 11 financials documents sent to our insurance company. 12 And finally they had a credit reference from 13 Digital Gadgets's bank account. And this is prior to 14 Charlie telling us that he has got a gazillion dollars, 15 "Don't worry about financial." The bank statement came 16 back from Charlie's bank with only \$26,000. And I've 17 given them one -- almost a million dollars' worth of 18 products. So -- 19 <b>Q.</b> Before you made your shipments to 20 Digital Gadgets, did you -- did you do a credit check on 21 them? 22 <b>A.</b> We did not do a credit check because of the -- 23 first of all, we didn't do the credit check because it 24 was very, very time-consuming that QVC needed the 25 product. And we rushed it. But Chris Mitchell and</p>	<p>1 declined. 2 <b>Q.</b> Do you know a business, Cash Capital? 3 <b>A.</b> Yes. 4 <b>Q.</b> Who is Cash Capital? 5 <b>A.</b> Cash Capital is our -- it's a lender. 6 <b>Q.</b> And when were they your lender? 7 <b>A.</b> I believe it's around 2016. 8 <b>Q.</b> Are they still your lender today? 9 <b>A.</b> No, they're not. 10 <b>Q.</b> Do you have another lender today? 11 <b>A.</b> No, I do not. 12 MR. LAZARUS: Can we have this marked, please. 13 (Defendant/Counter-Claimant's Exhibit 14 Lu 7 was marked for identification by 15 the Court Reporter, and a copy is 16 attached hereto.) 17 THE WITNESS: Okay. 18 BY MR. LAZARUS: 19 <b>Q.</b> Do you recall receiving this notification on or 20 about July 10th of 2016? 21 I would appreciate counsel not directing his 22 attention to specific portions of the document. I don't 23 think that's fair or appropriate. 24 MR. HSU: Well, I'm looking at the very last 25 page, which I've never seen before. I'm not asking any</p>
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<p>1 Charlie promised that they would supply the documents to 2 us and we would do it simultaneously. And I think 3 there's numerous e-mails, me chasing them for the 4 financials. And they've never complied and gave us the 5 financials. 6 <b>Q.</b> And you mentioned a "factor." 7 What is a "factor"? 8 <b>A.</b> A "factor" is our insurance company for product 9 that is shipped to a customer. And they would need to 10 do the credit check and ensure what would be the credit 11 line or what is the company's credit worthy (verbatim) 12 of, you know, amount of credits to grant them. 13 <b>Q.</b> And who was your factor in 2016? 14 <b>A.</b> Our factor is called Bibby Financial. 15 <b>Q.</b> Okay. And are you aware that various of the 16 invoices in this lawsuit are marked assigned that 17 the invoices were assigned and payable to 18 Bibby Financial? 19 <b>A.</b> These invoices were submitted to Bibby at the 20 time that we were trying to get the credit check and 21 credit reference, as Charlie had said that he's totally 22 creditworthy of millions of dollars. 23 <b>Q.</b> Were the invoices assigned -- the invoices to 24 Digital Gadgets assigned and payable to Bibby Financial? 25 <b>A.</b> It was submitted to them, but they were</p>	<p>1 questions, not pointing out. But go ahead. 2 BY MR. LAZARUS: 3 <b>Q.</b> Okay. Do you recall receiving this document in 4 or about July of 2016? 5 <b>A.</b> I think the date is incorrect. The date should 6 be 2017, not 2016. 7 <b>Q.</b> Okay. Do you recall receiving this document in 8 July of 2017? 9 <b>A.</b> I don't recall receiving this letter. 10 <b>Q.</b> Did there come a time when you entered into an 11 agreement with Cash Capital? 12 <b>A.</b> Yes. 13 <b>Q.</b> What was the nature of that agreement? 14 <b>A.</b> It was for financing -- financing purchasing. 15 <b>Q.</b> Okay. And do you see that the letter of -- 16 dated July 10th, of 2016, at the end of the first 17 paragraph, it writes, "Pursuant to the language of 18 the merchant agreement, the merchant has 19 sold, assigned and transferred to CCG a 20 certain percentage of its future 21 receivables"? Do you see that? 22 <b>A.</b> Okay. 23 <b>Q.</b> Is that true? 24 <b>A.</b> No. 25 <b>Q.</b> So they lied?</p>

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<p>1 A. We -- we contacted our insurance company to --</p> <p>2 Q. What was the reason that you contacted the</p> <p>3 insurance company so as to name Digital Gadgets as a</p> <p>4 certificate holder?</p> <p>5 A. We added them as an additional insured.</p> <p>6 Q. What was the reason you added them as an</p> <p>7 additional insured?</p> <p>8 A. Well, that is the -- pretty much part of the</p> <p>9 process with all the retail accounts and distributors.</p> <p>10 You know, we add them into our umbrella product</p> <p>11 liability insurance.</p> <p>12 Q. Is that something that's required by the</p> <p>13 retailers?</p> <p>14 A. It's required by retailers and distributors.</p> <p>15 Q. Okay. And QVC -- did QVC require that you add</p> <p>16 Digital Gadgets as a certificate holder under your</p> <p>17 policy?</p> <p>18 A. No.</p> <p>19 Q. Did Digital Gadgets require that you add them</p> <p>20 as a certificate holder under your insurance --</p> <p>21 A. Yes.</p> <p>22 Q. -- policy?</p> <p>23 A. Yes.</p> <p>24 Q. And did you agree to do that?</p> <p>25 A. I added them.</p>	<p>1 A. No.</p> <p>2 Q. -- Digital Gadgets?</p> <p>3 A. No, not for Digital Gadgets and not for any of</p> <p>4 my accounts.</p> <p>5 Q. I want to go back to the documents that are</p> <p>6 Bright Asamoah exhibits, 1 through 5, if we can.</p> <p>7 MR. HSU: We're looking at the invoices; right?</p> <p>8 Asamoah --</p> <p>9 MR. LAZARUS: Yes.</p> <p>10 Q. Okay. And I'd ask you to turn to Asamoah 5,</p> <p>11 which has Bates stamp Interworks 472.</p> <p>12 A. Okay.</p> <p>13 Q. Do you see that Asamoah 5, Bates Stamp</p> <p>14 Interworks 472, is a purchase order?</p> <p>15 A. Mm-hmm.</p> <p>16 Q. And do you see that it's a purchase order from</p> <p>17 Digital Gadgets to Interworks?</p> <p>18 A. Correct.</p> <p>19 Q. Do you see that the purchase order has terms</p> <p>20 and conditions?</p> <p>21 A. Yes.</p> <p>22 Q. Are you familiar with those terms and</p> <p>23 conditions?</p> <p>24 A. The purchase order terms and conditions?</p> <p>25 Q. Yes, sir.</p>
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<p>1 Q. Well, do you see that -- you added, but do you</p> <p>2 see the indication in the section of document marked</p> <p>3 "Description of Operations," "No coverage extended to</p> <p>4 hoverboards"?</p> <p>5 A. Well, I guess the --</p> <p>6 Q. Do you see that?</p> <p>7 A. I do see that.</p> <p>8 But Digital Gadgets didn't give you the first</p> <p>9 certificate, which doesn't have that clause in there.</p> <p>10 And the reason for the clause for this certificate was</p> <p>11 we were changing our insurance company. The old</p> <p>12 insurance company had to cancel this policy. That's why</p> <p>13 they're no longer covering the hoverboard. We added</p> <p>14 another policy to cover all the retailers from covering</p> <p>15 hoverboards.</p> <p>16 Q. Isn't it true that there was a period of time</p> <p>17 in which there were no insurance coverage for</p> <p>18 Digital Gadgets?</p> <p>19 A. No, because it's a -- it's a bridge-binding</p> <p>20 policy that, when we did the transition, there was --</p> <p>21 there was still insurance coverage.</p> <p>22 Q. So there was --</p> <p>23 A. There was insurance coverage.</p> <p>24 Q. -- there was never a time when there was no</p> <p>25 coverage for --</p>	<p>1 Have you ever seen them before?</p> <p>2 A. I personally did not read those terms and</p> <p>3 conditions.</p> <p>4 Q. Okay. And who -- in the ordinary course of the</p> <p>5 business of Interworks, who would receive purchase</p> <p>6 orders from a customer such as Digital Gadgets?</p> <p>7 A. It would either go to me or it would go to</p> <p>8 Tony.</p> <p>9 Q. Okay. And do you know if Mr. Tu ever received</p> <p>10 purchase orders from Digital Gadgets in the form in</p> <p>11 front of you as Asamoah 5?</p> <p>12 A. I believe so.</p> <p>13 Q. Okay. Do you know if he read them?</p> <p>14 A. I do not know if he did or not.</p> <p>15 Q. Do you know -- did you ever discuss the</p> <p>16 purchase order terms and conditions, as they appear in</p> <p>17 Asamoah 5, with Mr. Tu?</p> <p>18 A. No, I did not.</p> <p>19 Q. And do you see that, among the terms and</p> <p>20 conditions, is a term that says, "Buyer may charge</p> <p>21 seller all expenses of unpacking, examining,</p> <p>22 repacking and reshipping nonconforming</p> <p>23 goods. In the event buyer receives goods</p> <p>24 whose defects were nonconforming or not</p> <p>25 apparent upon examination, buyer reserves</p>